

MARICOPA COUNTY LIBRARY BOARD OF DIRECTORS MINUTE BOOK

**INFORMAL SESSION
December 2, 2002**

The Board of Directors of Maricopa County Library District, convened at 9:00 a.m., December 2, 2002, in the Board of Supervisors' Conference Room, Tenth Floor, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Don Stapley, Chairman; Fulton Brock, Vice Chairman; Andy Kunasek, Max W. Wilson and Mary Rose Wilcox. Also present: Fran McCarroll, Clerk of the Board; Shirley Million, Administrative Coordinator; David Smith, County Administrative Officer; and Paul Golab, Deputy County Attorney. Votes of the Members will be recorded as follows: (aye-no-absent-abstain).

BUDGETING FOR RESULTS PRIORITIES FOR FY 2003-2004 AND BUDGETING FOR RESULTS POLICY GUIDELINES

Item: Budgeting For Results Priorities for FY 2003-2004 that provide direction from the Board of Directors to the Office of Management and Budget (OMB) and the Library District so that structurally balanced budgets are developed for FY 2003-2004. (C49030146) (ADM2800)

Item: Budgeting For Results Policy Guidelines (B1006) that serve as the base guidelines from the Board of Directors of the Library District to use when preparing their budgets for submission to the Office of Management and Budget (OMB). (C49030186) (ADM2808)

Sandi Wilson, Deputy County Administrator, said that an anticipated turn-around in the economy has not materialized and an increasing number of business leaders have now adopted a more pessimistic view of the future. She indicated that many towns and cities are cutting their budgets due to the reduction in sales and income tax receipts. The State of Arizona is making similar cuts in an effort to bring their huge current budget deficit under control and gain some protection from additional deficits projected for the future. Sales tax revenue for November 2002 was projected to be 4.0% over last year's, but the actual growth was only .8%, resulting in a negative \$800,000 budgetary impact for one month.

Chris Bradley, Deputy Budget Director, spoke on 2003-04 budget priorities that are being recommended in response to today's adverse fiscal climate. These include a 5% and 10% reduction plan for all County departments' base budget requests in order to maintain a structurally balanced County budget. There is the possibility that these unexpected costs could cause some necessary budgetary cuts to take place at the beginning of 2003.

Brian Hushek, Deputy Budget Director, reviewed the budget calendar for the next fiscal year and said that in the next few months OMB will coordinate a FY2003 budget alert and set a meeting with Elliot Pollack for an update and projection on the economic situation.

Motion was made by Director Wilcox, seconded by Director Brock, and unanimously carried (5-0) to approve 1) the Budgeting For Results Priorities for FY 2003-2004 that provide direction from the Board of Directors to the Office of Management and Budget (OMB) and all departments so that structurally balanced budgets are developed for FY 2003-2004 and 2) to amend the Budgeting For Results Policy Guidelines (B1006) that serve as the base guidelines from the Board of Directors to all departments to use when preparing their budgets for submission to the Office of Management and Budget (OMB), as detailed below.

**BUDGETING FOR RESULTS POLICIES AND PROCEDURES
FOR FY 2003-2004**

A. Introduction

The purpose of this policy is to set forth the guidelines for developing budgets for Maricopa County, as well as the Flood Control, Library, and Stadium Districts. Maricopa County's budget process provides for

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responsible management of taxpayers' resources, while insuring that funds are directed towards achieving results at all levels.

B. Definitions

Budgeting for Results: A process in which budgetary decisions are based on or informed by performance information that describes the cost or efficiency of producing an activity and the results achieved for customers. This is accomplished by structuring the accounting and budgeting systems according to the structure of Departments' Strategic Plans.

Structurally Balanced Budget: A budget in which all recurring expenditures are fully supported by recurring sources of funding.

C. Policy Guidelines

1. General Guidelines for Budget Development:

- a). The budget will be based on conservative revenue estimates and will be structurally balanced. The budget will be formulated in accordance with the Reserve and Tax Reduction Policy Guidelines (B1007).
- b). In accordance with the Board of Supervisors/Board of Directors' Managing for Results Policy (B6001), Budgeting for Results is part of an overall management system that integrates planning, budgeting, reporting, evaluating and decision-making that is focused on achieving results and fulfilling public accountability. Departments/Special Districts are required to participate in the strategic planning process, and their plans and performance measures, along with strategic direction from the Board of Supervisors/Board of Directors, will be the primary basis for funding decisions.
- c). The Office of Management and Budget will analyze all base budgets to identify possible reductions, and will analyze all results initiative requests in detail, with particular focus on their impact on results.
- d). Directors and Program Managers will critically review new, unfunded or under-funded program mandates from the State and Federal governments in order to determine the fiscal impact to the County and to identify funding solutions.
- e). All positions will be fully funded in the budget or designated for elimination in accordance with the Funded Position Policy (B3001).
- f). Wherever possible, grants and other non-local revenue sources will be used before allocating General Fund resources or other local revenues. Grant and other special revenue budgets will be developed in accordance with the Policy for Administering Grants (F2001) and the Indirect Cost Policy for Grant Programs (F2002). Matching funds will be budgeted only to the extent required by law or by contracts and agreements specifically approved by the Board of Supervisors/Board of Directors.
- g). Wherever possible, the annual budget will provide for the adequate and orderly replacement of facilities and major equipment from current revenues based on confirmed

analytical review of need. Vehicle replacement will conform to the Policy for Vehicle Replacement (B4002).

2. Revenue:

- a) Existing grant agreements or grant applications must support budget requests for grants.
- b) Where appropriate, services and programs will be supported by user fees. User fees will recover the County's full direct and indirect costs, unless market considerations dictate otherwise. All user fees will be reviewed annually in conjunction with the budget development process. Because expenditures supported by user fees are generally subject to the Constitutional expenditure limitation, such expenditures must be carefully reviewed, and user fee rates should be reduced if they can no longer be justified by actual expenditures.
- c) Anticipated revenue to the County from fee increases will not be budgeted unless the Board of Supervisors/Board of Directors has approved such increases.
- d) All Departments/Special Districts, including elected officials and the Judicial Branch, will report to the Board of Supervisors/Board of Directors via the Office of Management and Budget all non-appropriated funding sources available to support their operations and programs, either directly or indirectly. When investigatory or security issues are of concern, such issues will be addressed on an individual basis.

3. Expenditures:

- a) Departments/Special Districts shall submit base expenditure requests within the budget target provided by the Office of Management and Budget. The Office of Management and Budget will develop targets for each fund budgeted by a Department/Special District according to its current budget, with adjustments as directed by the Board of Supervisors/Board of Directors.
- b) Requests for funding above base level must be submitted as Results Initiatives Requests, and must be directed to achievement of approved strategic goals that align with the direction of the Board of Supervisors/Board of Directors. Requests for additional funding will be considered only if departments/special districts have met the requirements for "Planning for Results" under the Managing for Results Policy (B6001). Results Initiative Requests must be supported by complete performance measures that can be used to monitor and evaluate the initiative's success if funded. The Board of Supervisors/Board of Directors may annually adopt guidelines and priorities for results initiative requests. The Office of Management and Budget will review all results initiative requests and make recommendations according to the guidelines and priorities established by the board of supervisors/board of directors.
- c) In order to promote consistent and realistic budgeting of personnel, all personal service budgets shall include a reasonable allowance for personnel savings due to natural staff turnover. The rate of personnel savings should be budgeted based on past experience. Budgeted personnel savings may be budgeted conservatively for smaller departments that are subject to greater variations in staff turnover.

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- d) No "carryover" capital outlay or capital improvements will be budgeted unless specifically approved by the Board of Supervisors/Board of Directors. Departments that do not identify and receive approval for carryover items will be required to eliminate them or fund them from within their operating budgets.
- e) Major Maintenance projects and Vehicle Replacement for General Fund Departments will be budgeted in General Government. All non-General Fund Departments will fund their own Major Maintenance projects and Vehicle Replacement.

4. Budget Process:

- a) All Appointed, Elected and Judicial Branch Departments/Special Districts will follow these policy guidelines in preparing their Annual budget requests.
- b) All Appointed, Elected, and Judicial Branch Departments/Special Districts will submit budget requests to the Office of Management and Budget (OMB) following the detailed timeline, directions and format prescribed by OMB.
- c) Department/Special District financial reporting structures will be established by the Financial Reporting Review Committee and must be finalized prior to budget submission.
- d) All budget requests will be submitted at a detailed level by department, fund, organization unit, Program/Activity, object/revenue source, and month. Departments/Special Districts will prepare their budget requests in the budget preparation system provided by the Office of Management and Budget, and will follow all system instructions.
- e) The Deputy County Administrator (DCA) will negotiate budget recommendations with Elected Officials and Judicial Branch departments. If agreement cannot be reached with the DCA, the Presiding Judge and elected officials may first continue negotiation directly with the County Administrative Officer or, if agreement still cannot be reached, with the Board of Supervisors.

5. Capital Improvement Projects:

- a) Upon recommendation of the Facilities Review Committee and identification of available funding, the Office of Management and Budget will recommend a five-year Capital Improvement Program to Board of Supervisors/Board of Directors in accordance with the Capital Improvement Program Policy.
- b) The Board of Supervisors/Board of Directors may allocate carry-over fund balances to one-time capital items in accordance with the Reserve and Tax Reduction Policy (B1007).
- c) When requesting funding for capital improvement projects, Departments/Special Districts will provide estimates of increased operating costs associated with each individual project.
- d) Capital improvement program budgets may include a contingency budget reserve to fund project overages of up to 10% or \$1,000,000, whichever is less.

6. Internal Charges and Indirect Cost Allocations:
- a) Internal service departments and County Counsel will develop estimates of base and discretionary charges for each Department/Special District they serve according to instructions and schedules provided by OMB. All estimates will be reviewed by the user departments, OMB and Finance.
 - b) All internal charges will be based strictly on recovery of actual costs for providing services or sharing use of equipment or facilities; charges between Departments/Special Districts that are based on "market rates" and exceed actual costs are prohibited. Allocation of costs between funds for shared use of buildings or equipment will be determined consistent with the Central Service Cost Allocation plan prepared by the Department of Finance.
 - c) Base-level or non-discretionary internal services will be charged at the fund level. General Fund department charges will be budgeted in, and paid from, General Government. Discretionary internal service charges are the responsibility of the requesting Department/Special District.
 - d) The Department of Finance will assess Central Service Cost Allocation charges from all non-General Fund agencies except grants based on a full-cost allocation methodology. The Department of Finance will provide departments that administer grants with an indirect cost rate established according to the methodology allowable by the grantor.
 - e) Funding for the Self-Insurance Trust Fund will be assessed from all funds as a base-level charge based on a funding plan developed by the Risk Management Department. The funding plan will provide for an ending cash balance equal to the projected paid losses and claims-related expenses for the upcoming fiscal year.

**LIBRARY DISTRICT
BUDGETING FOR RESULTS GUIDELINES AND PRIORITIES
FOR FY 2003-04**

The purpose of these guidelines and priorities is to provide direction from the Board of Directors to the Office of Management and Budget and all departments so that a structurally balanced budget is developed for FY 2003-04.

Base Budget Targets:

Budgets for all departments and funds will be prepared within target amounts equal to their current budgets plus authorized adjustments. The Office of Management and Budget is directed to adjust budget targets for the following:

1. the annualized cost of FY 2002-03 approved Results Initiative Requests;
2. the annualized impact of FY 2002-03 mid-year appropriation adjustments;
3. the annualized impact of other items including intergovernmental agreements approved by the Board of Directors if the impact was disclosed at the time of Board approval.

All departments must submit base budget requests within their budget targets.

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Base Reductions:

In order to maintain a structurally balanced budget, 5% and 10% base reductions will be developed and considered for all departments (excluding grant funds). The Office of Management and Budget is directed to prepare 5% and 10% base reduction targets for all non-grant funds. All departments and agencies must submit alternative base budget requests that meet their budget reduction targets. Departments and agencies are directed to present base reductions that minimize the impact on critical public services as much as possible. The service impact of the reductions must be disclosed.

Requests for Additional Funding (Results Initiative Requests):

Only Results Initiative Requests that are funded by the Jail Excise Tax for operation of new facilities will be considered.

MEETING ADJOURNED

There being no further business to come before the Board, the meeting was adjourned.

Don Stapley, Chairman of the Board

ATTEST:

Fran McCarroll, Clerk of the Board